

# Supplier Diversity Report 2017



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## I. Executive Message

I am pleased to present Nicor Gas' 2017 Supplier Diversity Report.

For us, business diversity goes beyond strategy; it is simply the right way to do business. In 2017, we saw the first graduating cohort of our Supplier Diversity Business Development Program; engaged with many diverse businesses, Prime Partners and business diversity advocates at 16 outreach events; and added nearly 200 new diverse businesses to our procurement database, creating new opportunities for these firms to provide products and services.

The success of these efforts is evidenced in our results, which demonstrate continued improvement over the past five years. In 2017, we achieved \$180 million in diverse spend with minority-, women- and veteran-owned business enterprises, representing 27.5 percent of Nicor Gas' total spend. We invested a 59.6 percent increase over 2016 in Illinois diverse businesses and we saw a 119 percent increase in our Tier 2 diverse spend, thanks to the partnership of our Prime Partners and a shared commitment to diversity within their respective organizations. I am proud to say that Nicor Gas was named one of the Top Companies for Supplier Diversity by Black Enterprise Magazine in 2017.

It is an exciting time to be in the energy industry, and we are committed to an inclusive workforce that reflects the customers we serve. Our commitment to diversity is at the core of Nicor Gas' corporate values. We now have six employee resource groups that serve as champions in the support of supplier diversity initiatives, including the newly launched VetNet group, a community of veteran and military supporters who are champions for active, reserve and former members of the military.

Diversity is neither a program nor priority, it is an organizational value and strategic business imperative of Nicor Gas. We fully embrace, respect and value business diversity and understand the positive social and economic impact it has on our communities. We continue to be very intentional around building and developing relationships with diverse partners and subcontractors and are committed to seeking ways to turn these relationships into sustainable, meaningful business partnerships.

Thank you for taking the time to review Nicor Gas' 2017 Supplier Diversity Report.



Melvin D. Williams  
President, Nicor Gas

## II. Dashboard

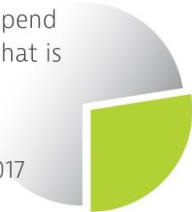
### Achievements

**\$180M**

in diverse spend  
(MWVBE) that is

**27.5%**

of total  
spend in 2017



**59.6%**

increase in spend  
with Illinois  
minority- women-  
and veteran-owned  
business enterprises  
(2017 vs. 2016)



**80.5%**

increase in  
Professional Services  
spend with  
MWVBES  
(2017 vs. 2016)



**165.3%**

increase in  
Professional Services  
spend with minority  
business enterprises  
(2017 vs. 2016)



**\$73M**

increase in MWVBE  
spend over last 3 years



**119%**

YoY increase in  
Tier 2 diverse spend  
(2017 vs. 2016)

### Advocacy efforts



Engaged with many diverse businesses,  
Prime Partners and business diversity  
advocates at **16** outreach events

**200** 

new diverse firms added to  
our procurement database



Completed first cohort of  
Business Development Program

### Recognition



Named one of the  
Top Companies for  
Supplier Diversity by  
Black Enterprise Magazine  
(October 2017)

### III. Terms and Definitions

#### **Certification**

A minority-, woman- or veteran-owned, or small business enterprise, whose ownership, control and operation has been verified by a qualified, independent third party.

#### **Minority Business Enterprise (MBE)**

A business enterprise that is at least 51 percent owned by a minority individual or group(s); or if a publicly owned business, at least 51 percent of the stock is owned by one or more minority groups, and whose management and daily business operations are controlled by one or more of such individuals. The categories of minority include, but are not limited to: African-American, Hispanic-American, Native American, Asian/Pacific-American and Asian-Indian American.

#### **Woman Business Enterprise (WBE)**

A business enterprise that is at least 51 percent owned by a woman or women; or if a publicly owned business, at least 51 percent of the stock is owned by one or more women, and whose management and daily business operations are controlled by one or more of such individuals.

#### **Veteran Business Enterprise (VBE)**

A business enterprise that is at least 51 percent owned by one or more veterans, including service-disabled veterans with honorable service affirmed by the U.S. Department of Veterans Affairs. In the case of a publicly owned business, at least 51 percent of the stock is owned by one or more veterans, including service-disabled veterans with honorable service affirmed by Veterans Affairs, and whose management and daily business operations are controlled by one or more such individuals.

#### **Small Business Enterprise (SBE)**

A business enterprise that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding 12 months or on sales volume averaged over a three-year period. Refer to the Small Business Administration, Small Business Sizing Standards.

#### **Ethnic Groups**

- African-American – persons having origin in any Black racial groups.
- Asian/Pacific-Americans – persons having origin in India, Pakistan, Bangladesh, Japan, China, Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia or Taiwan
- Caucasian Americans – persons having origin in Europe or people who are White.
- Hispanic-Americans – persons of Mexican, Puerto Rican, Cuban, South or Central American, Caribbean and other Spanish culture or origin
- Native Americans – persons having origin in any of the original peoples of North America or the Hawaiian Islands, in particular, American Indians, Eskimos, Aleuts and Native Hawaiians

#### **Company**

The investor-owned utility (i.e., Nicor Gas) or other regulated entity with Illinois operations regulated by the Illinois Commerce Commission.



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**Expenditures**

The actual accounts payable dollars (spend) paid (less excluded expenditures) for the procurement of goods and services during the given report period.

- Indirect Expenditures – expenditures incurred by a prime partner that are necessary to the operation of their business (overhead) or are associated with a commercially available product they provide directly to the Company.
- Excluded Expenditures – payments made for goods and services that are excluded from the calculations used in reporting diverse and total expenditures.
- MWVSBE Expenditures – the actual accounts payable dollars paid for the procurement of goods and services from third-parties, including Minority Business Enterprises (MBE), Women Business Enterprises (WBE), Veteran Business Enterprises (VBE) and Small Business Enterprises (SBE) secured by a company, either directly or through subcontracting.

**Goals**

The measurement of the company's targeted inclusion (typically measured in expenditures) of certified minority-, women- and veteran-owned and small business enterprises in the company's procurement of goods and services throughout its supply chain.

- Short-term Goal – performance criteria established for the upcoming reporting period
- Midterm Goal – performance criteria established for a timeframe two to three years beyond the current reporting period
- Long-term Goal – performance criteria established for a timeframe three to five years beyond the current reporting period

**Prime Partner (Direct Spend)**

A business partner who invoices the company directly for goods and services rendered.

**Subcontractor**

A business that invoices the company's Prime Partners for goods and services rendered.

**Second Tier Program (Tier 2)**

The process in which Prime Partners are encouraged to share in Supplier Diversity goals of the company by providing meaningful subcontracting opportunities to diverse partners in support of its contractual obligations to the Company.

**Professional Services**

Knowledge-based organizations that provide highly-specialized services across many industries. These businesses generally require professional licensure and/or degrees in the arts and sciences.

**Professional Services Categories**

Legal Services, Financial Services, Human Resources Services, Information Technology Services, Engineering & Technical Services, Communications/Marketing and Management Consulting

#### IV. Summary of Spending and Activity in the Previous Calendar Year

2017 Company Expenditures with All Partners					
				% of Overall	
Total Dollars (\$ in thousands)				Actual	Goal
Overall Spend		\$656,104		27.47%	30.00%
Spend Category	Direct Spend	Tier 2 Spend	Total	Actual	Goal
MBE	\$ 47,803	\$ 40,612	\$ 88,415	13.48%	14.70%
WBE	\$ 44,478	\$ 38,159	\$ 82,637	12.60%	13.45%
VBE	\$ 4,900	\$ 4,242	\$ 9,142	1.39%	1.85%
<b>Total MWVBE</b>	<b>\$ 97,181</b>	<b>\$ 83,014</b>	<b>\$ 180,194</b>	<b>27.47%</b>	<b>30.00%</b>

The data provided above includes Direct and Second Tier spend; it does not include SBE, which can be found in Appendix C.

Expenditures with Illinois-based Suppliers					
				% of Overall	
Total Dollars (\$ in thousands)				Actual	Goal
Overall Spend		\$ 221,518		50.35%	N/A
Spend Category	Direct Spend	Tier 2 Spend	Total	Actual	Goal
MBE	\$ 35,114	\$ 18,383	\$ 53,496	24.15%	N/A
WBE	\$ 34,829	\$ 17,963	\$ 52,792	23.83%	N/A
VBE	\$ 4,700	\$ 539	\$ 5,239	2.37%	N/A
<b>Total MWVBE</b>	<b>\$ 74,642</b>	<b>\$ 36,885</b>	<b>\$ 111,528</b>	<b>50.35%</b>	<b>N/A</b>

Professional Services Spend by Race and Service Category (\$ in thousands)						
	African American	Asian/Pacific American	Caucasian American	Hispanic American	Native American	Total
Communications and Marketing	\$ 104	\$ 0	\$ 1,499	\$ 7	\$ 0	\$ 1,610
Engineering and Technical Services	\$ 3,910	\$ 935	\$ 4,263	\$ 435	\$ 293	\$ 9,836
Financial Services	\$ 0	\$ 42	\$ 47	\$ 1	\$ 0	\$ 90
Human Resource Services	\$ 137	\$ 1	\$ 28,744	\$ 891	\$ 0	\$ 29,773
Information Technology Services	\$ 38	\$ 673	\$ 3,227	\$ 375	\$ 1,077	\$ 5,389
Legal Services	\$ 6	\$ 0	\$ 209	\$ 26	\$ 0	\$ 241
Management Consulting	\$ 0	\$ 1	\$ 1,959	\$ 0	\$ 0	\$ 1,960
<b>Grand Total</b>	<b>\$ 4,195</b>	<b>\$ 1,653</b>	<b>\$ 39,947</b>	<b>\$ 1,733</b>	<b>\$ 1,370</b>	<b>\$ 48,899</b>

Professional Services Spend by MWVBE and Service Category (\$ in thousands)				
	MBE	WBE	VBE	Total
Communications and Marketing	\$ 99	\$ 1,511	\$ 0	\$ 1,610
Engineering and Technical Services	\$ 5,725	\$ 4,104	\$ 7	\$ 9,836
Financial Services	\$ 43	\$ 47	\$ 0	\$ 90
Human Resource Services	\$ 14,816	\$ 14,957	\$ 0	\$ 29,773
Information Technology Services	\$ 2,153	\$ 3,012	\$ 223	\$ 5,389
Legal Services	\$ 32	\$ 209	\$ 0	\$ 241
Management Consulting	\$ 1	\$ 1,959	\$ 0	\$ 1,960
<b>Grand Total</b>	<b>\$ 22,869</b>	<b>\$ 25,798</b>	<b>\$ 231</b>	<b>\$ 48,899</b>

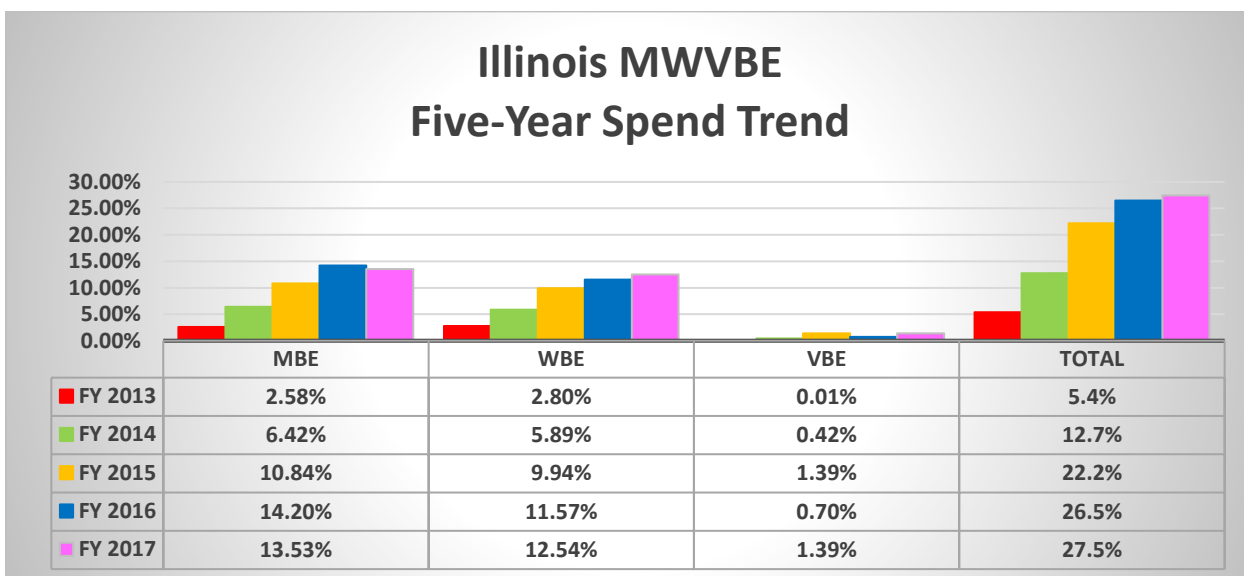


At Nicor Gas, business diversity is not only a value we are committed to – it is imperative to our business. Infrastructure and technology are changing our business at increasing speeds, and diverse approaches that meet the demands of our ever-changing industry are essential to continue to safely and reliably deliver natural gas to our customers. Our five-year business diversity strategic plan is our roadmap to expand business opportunity and engagement, which was evident in our 2017 results as we pushed and stretched the mindsets of our Prime Partners and our own conventional thinking about procurement practices and policies.

In 2017, Nicor Gas achieved \$180 million in diverse spend with minority -, women- and veteran-owned business enterprises (MWVBE), or 27.5 percent of the Company's overall spend. Adding small business enterprises (SBE), 2017 spend totaled more than \$215 million, or 32.9 percent of our overall spend.

We increased Illinois MWVBE spend by 59.6 percent, doubling Illinois-based MBE spend since 2016. Additionally, we increased MWVBE spend in Professional Services by 81 percent from the previous year, with a 165 percent increase in Professional Services spend with MBEs. And our increased focus on our Second Tier Program resulted in a 119 percent increase in Tier 2 diverse spend.

Nicor Gas continues to make significant strides to strategically partner with diverse businesses. The five-year spend trend shows the results of our commitment to expand the inclusion, development and utilization of diverse businesses.



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## **Advocacy**

The Supplier Diversity team hosted a Prime Partner Matchmaker Summit at South Suburban College as a way of connecting several of our Prime Partners and diverse leaders to more than 46 diverse businesses throughout the state. This event is another example of how we rely on our Prime Partners to support the growth and development of diverse business enterprises that are capable of providing a vast array of goods and services. In conjunction with Illinois State Rep. William Davis, the informative event was hosted in Chicago's south suburbs, where many qualified diverse businesses are located.

In addition, Nicor Gas participated in the following events throughout the year to engage with diverse businesses, Prime Partners, and advocacy leaders and organizations:

1. CMSDC Chicago Business Opportunity Fair
2. Midwest Energy Solutions Conference
3. Asian American Coalition of Chicago Annual Lunar New Year Celebration
4. Quad County Urban League Women's Empowerment Summit
5. Illinois Black Chamber of Commerce Legislative Day
6. NMSDC Leadership Awards Banquet
7. Chicago United National Thought Leader in Inclusion Event
8. Edison Electrical Institute Annual Business Diversity Conference
9. US Pan Asian 2017 Procurement Fair
10. Illinois Hispanic Chamber of Commerce Making the Connection Business Conference
11. WBENC National Conference
12. Illinois Black Chamber of Commerce Business Opportunity Fair
13. WBDC Pitch Connections & Networking Event
14. NMSDC Conference & Business Opportunity Fair
15. Federation of Women's contractors Annual Awards Event
16. National Veterans Small Business Engagement Conference & Expo

The Company's business diversity efforts extend much further than offering procurement opportunities for minority-, women- and veteran-owned businesses. We oftentimes partner with external advocacy organizations through participation in industry-related panels, summits, boards, procurement fairs, caucuses, town hall meetings and tradeshow. This includes Nicor Gas' partnership with the Illinois Utilities Business Diversity Council. Nicor Gas President Melvin D. Williams served his second full term as the chair of the IUBDC in 2017, and several Nicor Gas leaders also chaired various subcommittees of the organization. Advocacy and action as a part of the IUBDC, directly impacted Nicor Gas through engagement with many business leaders through IUBDC events, committee initiatives and meetings where challenges and best practices were shared.

In addition to our external efforts, we take just as much pride in our internal activities to educate our diverse employee base on the importance of diversity and inclusion so that they too can become advocates and champions of Supplier Diversity. Nicor Gas now has six employee resource groups (ERGs) that serve as champions in the support of Supplier Diversity initiatives.

- En Rapport – focuses on African-American issues in the workplace and provides opportunities for networking, community activism and professional and personal development
- Inspire – focuses on women's issues and works to inspire women to fulfill their personal and professional potential
- EnERGY – for young career professionals, with the goal to attract, retain and foster these young professionals through networking and relationship building opportunities

- ¡Hola! – promotes Hispanic/Latino culture and provides a platform for broadening and deepening the Company's understanding of business opportunities in this diverse market
- VetNet – a community of veteran and military supporters who are champions for active, reserve and former members of the military and their families, and the diverse skillset they have
- Spectrum – an inclusive group where lesbian, gay, bisexual and transgender employees, and their supporters, feel a sense of community and opportunity

ERG members, with an affinity to the Company's business diversity initiatives, serve as an extension of the Supplier Diversity organization. Through joint efforts, such as employee lunch and learns and external procurement fairs, they assist in efforts to educate the business community, advocate the use of diverse suppliers, encourage the growth and development of diverse employees, and support the Company's procurement goals.

### **Development**

In 2017, there were 10 diverse firms that made up the first graduating class of the Company's Supplier Diversity Business Development Program (SDBDP). The program is an 18-month curriculum that aids in the mentoring and growth of select diverse firms, and serves as a catalyst for business development by providing guidance, resources, networking and customized services necessary to support business success. SDBDP also offers minority-, women- and veteran-owned businesses one-on-one mentoring with business leaders and subject matter experts who can assist diverse businesses in gaining a greater level of understanding around all areas of our business.

Supplier Diversity Business Development Program inaugural graduates, included:

1. All About Gas (Florida)
2. Business Technical Services (Ohio, with an Illinois office location)
3. CEI Engineers & Contractors (Florida)
4. Jabo Industries (Georgia)
5. McDaniel Technical Services (Oklahoma)
6. Nash Brothers Construction (Illinois)
7. Pro Cutters Landscapes (Georgia)
8. Smith Real Estate Services (Georgia)
9. Traffic Plan (New Jersey)
10. Trice Construction (Illinois)

We've increased our focus and efforts with Prime Partners to develop their Supplier Diversity programs through our Second Tier Program, which has increased subcontractor and Tier 2 diverse spend. Nicor Gas continues to build and develop relationships with diverse partners, and seek opportunities to create long-term, sustainable and mutually beneficial partnerships.

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## **Procurement**

Supplier Diversity goals are established for leaders across all of Southern Company Gas. In 2016, these goals were introduced and included in the Company's performance incentive plan.

Partners can register their businesses, upload their diverse certifications, and participate in bid management activities through our partner database. The system also enables sourcing managers the ability to search partners by product, service, company name or business classification. The supply chain team continues to partner with the Supplier Diversity team to drive performance and ensure alignment with advocacy and procurement efforts by seeking to engage diverse suppliers in requests for proposals. In 2017, we added nearly 200 diverse firms to our partner database, thus creating opportunities for these firms to bid on new projects and services.

Many of these diverse partners work with the Company and its Prime Partners on Investing in Illinois projects. This multiyear infrastructure improvement program is an investment in the continued safety and reliability of our system, an investment in the regional economy and an opportunity to drive diverse business participation throughout our Company. We continue to leverage Investing in Illinois as a catalyst to increase diverse partnerships in our business. In 2017, diverse spend related to this initiative totaled approximately \$40 million, or 14.8 percent of the total Investing in Illinois spend was Direct Spend with diverse suppliers.

The Nicor Gas Energy Efficiency Program (energySMART) actively engages diverse businesses in program design, implementation and support activities, and continually identifies opportunities to assist and leverage the Company's Supplier Diversity resources to enhance utilization and success of diverse businesses. Diverse spend, as a percentage of total eligible spend within energySMART, grew significantly in 2017 to more than 30 percent thanks to a number of new relationships with diverse vendors to implement energy efficiency programs, and support the design of and preparation for the Company's new four-program that began Jan. 1, 2018. These new relationships have grown to become solid business partnerships that will create additional value for the Company and opportunities for these and additional diverse vendors in 2018 and beyond.

In 2017, total energy efficiency program spend amounted to approximately \$38.9 million. This amount includes cash rebates paid to customers, internal payroll and expenses related to the Illinois Department of Commerce – all of which are considered non-eligible spend when considering our diversity metrics. Less these excluded expenditures, the total amount paid to product and service providers was \$9.38 million, of which \$2.83 million was spent with Direct and Tier 2 diverse suppliers.

We consider our Prime Partners' Tier 2 diversity efforts to be an important component of our Supplier Diversity framework. Nicor Gas evaluates Supplier Diversity in our request for proposal decision matrix, and we expect our network of buyers and partners to provide meaningful business opportunities to minority-, women- and veteran- owned businesses. Our partner contracts with Prime Partners outline goals and specific reporting requirements related to our Second Tier Program (Tier 2). For the second consecutive year, Nicor Gas' Prime Partners increased the value of subcontracts awarded to MWVBes, which resulted in a year-over-year increase of \$45 million spend in 2017 compared to 2016.

**Reporting**

Throughout the year, the Supplier Diversity team reviews the certification status of its Prime Partners as well as a relative sample of vendors submitted as subcontractors by the Company's Prime Partners. To ensure diverse business expenditures are accurately reflected, we conduct periodic audits of the subcontractor population to validate payments have been received.

The Supplier Diversity team and senior leaders within Southern Company Gas continue their ongoing engagement and business diversity assessments with select Prime Partners' executive teams. The purpose of these engagements is to:

- Ensure alignment with our shared objectives for advocacy, development, diversity and inclusion, and reporting;
- Review and discuss prime contractor business diversity progress (advocacy engagements, supplier development progress, reporting compliance and performance to goals), and provide assistance when needed; and
- Discuss forecasted opportunities, projections and barriers to increasing diverse business development and utilization.

This ongoing interaction with our Prime Partners' key decision makers has contributed to the Company's 119 percent increase in Tier 2 diverse spend in 2017 versus 2016.

## V. Policies and Methodology

At Nicor Gas, diversity is woven into the fabric of our procurement activities. We are obligated and committed to maximizing procurement opportunities and proactively developing partnerships with diverse businesses that not only provide quality, value and competitive prices, but also sustainability.

Southern Company Gas' four pillars of Supplier Diversity set the foundation for our success and the success of our diverse partners.

- Advocacy – building awareness around our Company's commitment to Supplier Diversity
- Development – supporting efforts to promote capacity building and value creation
- Procurement – leveraging diversity when evaluating sourcing opportunities
- Reporting – holding ourselves accountable through aggressive performance metrics

Nicor Gas's procurement activities span across all categories of the business. The supply chain and Supplier Diversity teams are aligned with each department in the organization and partner on all procurement activities in support of the entire company. For the purpose of categorizing procurement activity, we have established six primary categories:

- Facilities
- Fleet
- Materials
- Pipeline & Construction Services
- Professional Services
- Other

### **Tier 2 (Prime Partner Pipeline)**

The objective of the Prime Partner Pipeline is to facilitate the development and utilization of diverse businesses through strategic partnerships with our key Prime Partners. Partnerships with many of our Prime Partners have helped to:

- 1) Increase awareness of Prime Partners' subcontracting activities with MWVBES
- 2) Influence the increased utilization of diverse partners
- 3) Generate access to a pipeline of future prospective Prime Partners

Our Prime Partner Pipeline requires partners to provide a utilization (subcontracting) plan for each bid that is presented to the Company, and we strongly encourage our partners to abide by the proposals that are outlined in their respective utilization plans should they be awarded a bid. Because diversity and past performance are key components of our scoring matrix during the bidding process, failure to meet the Company's expectations around second tier utilization is taken into consideration when evaluating future procurement opportunities.



**Methodology for Assigning Certified Spend**

Expenditures with certified diverse businesses that qualify for multiple diversity categories are assigned by an internal reporting hierarchy to ensure the expenditures are only reflected once. The order of assigning expenditures to the appropriate category is defined by race (MBE) first, gender (WBE) second and any other qualified certification status third (e.g., an African-American woman-owned business certified and minority- and women-owned is recordable as an MBE, not WBE). In the event of expenditures with a certified minority woman who is also a veteran, these expenses are assigned as either MBE or VBE, depending on the certification provided.

**Excluded Expenditures**

For the purpose of determining expenditures relative to the calculations used in this report, any expenses incurred related to the following were excluded:

- Claims
- Easements
- Employee expenses, including: salary, medical benefits, expense reimbursements, performance awards petty cash, dividend payment, etc.
- Employee garnishments
- Employee tuition reimbursement benefits
- Fines and penalties
- Inter-entity payments
- Natural gas capacity contracts
- Organization membership dues
- Other fees for utility services (natural gas, electric, water and telephone)
- Parent, associated and/or subsidiary companies (charges for services rendered to the parent, i.e.: accounting, engineering, tax, advertising costs, etc.)
- Payments to government entities (taxes, street opening fees, license fees, permits, etc.)
- Philanthropic contributions
- Pipeline transmission (interstate/intrastate)
- Power or commodity purchases (natural gas and/or electricity for resale or nuclear fuels)
- Purchase or lease of real property (including lease buy-outs)
- Purchases from foreign-owned companies outside of the U.S. (that do not add value to a product once shipped to the U.S. or manufacture a product in the U.S.)
- Rail transportation
- Revenue accounts (refunds due to customers)
- Cash rebates paid directly to customers
- U.S. Post office fees

## VI. Supplier Diversity Goals

### Goal Setting Strategy

Southern Company Gas' Supplier Diversity goals are not based solely on numbers and percentages. Set at the highest level of the organization, the Company's goals are based on a number of factors that include reviewing past performance, setting aggressive targets based on anticipated spend, and being intentional about creating sustainable opportunities for MWVBEs. That being said, our Supplier Diversity success is not only measured in dollars, but also in the developmental opportunities that we create for our diverse business partners.

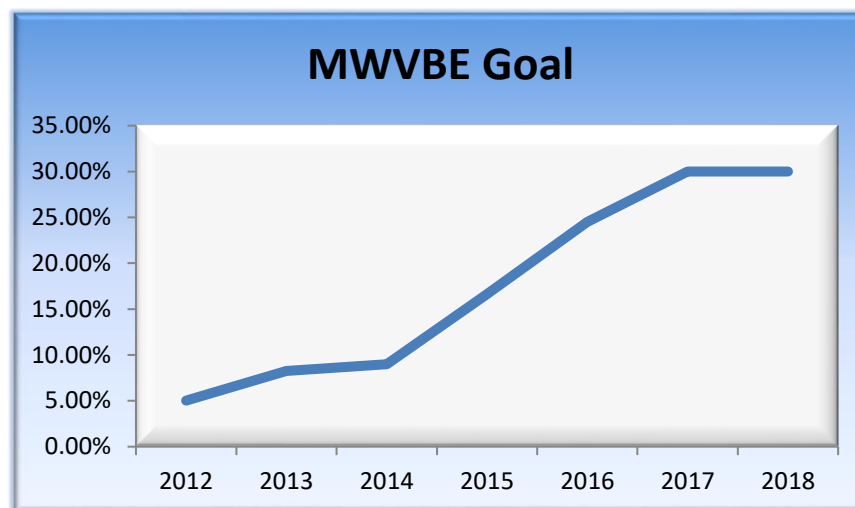
### 2018 MWVBE Goals

In 2017, Nicor Gas leadership set an aggressive goal to achieve 30 percent MWVBE spend for the reporting period, while challenging our Prime Partners to also increase their respective diverse-spend goals.

2018 MWVBE Spend Targets			
MBE	WBE	VBE	Total Diverse
14.70%	13.45%	1.85%	30.00%

Over the past three years, Nicor Gas has shown a steady increase in diverse spend goals as well as actuals. As reflected in the charts below, we have increased our diverse spend goal by more than 80 percent (up from 16.64 percent to 30 percent) since 2015, while increasing spend with MWVBEs by more than \$70 million (up from \$101 million to \$174 million) during this three-year period.

DIVERSITY CLASS	FY 2015	FY 2016	FY 2017
<b>MBE</b>	10.84%	14.20%	13.48%
<b>WBE</b>	9.94%	11.57%	12.60%
<b>VBE</b>	1.39%	0.70%	1.39%
<b>MWVBE</b>	<b>22.17%</b>	<b>26.47%</b>	<b>27.47%</b>
<b>GOAL</b>	16.64%	24.50%	30.00%



Nicor Gas will continue to set aggressive goals to hold ourselves and our partners accountable for meeting our commitment around Supplier Diversity. To that end, we have set the 2018 goal for MWVBE spend at 30 percent of the Company's overall eligible spend.

#### 2018 Initiatives

In 2018, we will continue to partner with the Illinois Utilities Business Diversity Council (IUBDC) on events to enhance opportunities for diverse businesses across Illinois utilities. We will continue to benchmark best practices from industry-leading Supplier Diversity programs and utilize the IUBDC to ensure we are developing and incorporating best-in-class policies, structure and outcomes.

Nicor Gas will continue to facilitate and host outreach events involving our Prime Partners, diverse businesses and the diverse communities that we serve. In addition, we will continue to host informational sessions with Company leadership and qualified diverse businesses that provide services in historically underutilized categories of our business (e.g., legal, consulting and other professional services).

We will continue to seek opportunities to enhance our Supplier Diversity Business Development Program, and will introduce a new cohort of diverse businesses into the 2018-2019 class.

We will continue to leverage our Prime Partners to support development and increased utilization of diverse businesses that align with subcontracting needs and requirements of our Second Tier Program. This includes expanding the list of Prime Partners that utilize subcontracting scorecards to measure Supplier Diversity results.

We will continue to engage Nicor Gas senior leadership and decision-makers through monthly performance reports to encourage and provide support in their efforts to increase diverse business participation.

Our plan is to continue to align ourselves with professional organizations and industry groups that support business diversity amongst underutilized areas of our business.

We will continue to support our key diverse partners in exploring opportunities for joint-ventures, mergers and acquisitions and other partnerships that help build scale.

With these strategic initiatives in mind, we have developed a five-year strategic plan that will serve as a roadmap to not only achieve the desired level of diverse spend, but to hold ourselves accountable for achieving critical business imperatives. The plan allows us to forecast projected spend, upcoming opportunities, expiring contracts, developmental opportunities for diverse businesses, opportunities to expand our Prime Partner engagement, and proactively seek any challenges that may arise in the near future.

### **Plan to Engage and Encourage Potential Partners**

Nicor Gas understands the impact of intentional engagement of not only diverse business partners, but the entire diverse business community. We are committed to improving upon our efforts each year to ensure qualified diverse businesses are aware, educated and equipped with the information needed to support their prospects of doing business with us.

Nicor Gas continues to actively participate in many Supplier Diversity conferences and tradeshow that provide opportunities to develop relationships, identify qualifying businesses and further promote business opportunities. Nicor Gas supports the efforts of organizations that promote the interests of minority-, women- and veteran-owned businesses, including the following:

- American Association of Blacks in Energy – local and national chapters
- Asian American Coalition of Chicago
- Chicago Minority Supplier Development Council
- Chicago United
- Chicago Urban League
- Edison Electrical Institute
- Federation of Women Contractors
- Hispanic-American Construction Industry Association
- Illinois Black Chamber of Commerce
- Illinois Hispanic Chamber of Commerce
- Illinois Legislative Latino Caucus Foundation
- Illinois Utilities Business Diversity Council
- National Minority Supplier Diversity Council
- Quad County African-American Chamber of Commerce
- Quad County Urban League
- Rainbow PUSH Coalition
- Women's Business Development Center
- Women's Business Enterprise National Council

## VII. Areas of Procurement for Next Calendar Year

While Nicor Gas continues to seek opportunities to attract and advance diverse partners across all areas of our business, there are certain areas where diverse representation has traditionally been low; these include: Material Supplies, Legal, Consulting and other Professional Service categories. Nicor Gas has made intentional efforts in 2017 to increase diverse representation in the Professional Services arena. In fact, with the assistance of our Prime Partners, we achieved an 80 percent increase in Professional Services spend with MWVBEs over 2016, which represents an increase of more than \$21 million.

In 2018, Nicor Gas will continue to partner with various advocacy organizations, our peer utilities that make up the Illinois Utilities Business Diversity Council, and our Prime Partners to host and and/or attend diversity-related summits and events that are geared toward the advancement of diverse business enterprises.

We will continue to leverage our Prime Partners to support the development and increased utilization of diverse businesses that align with subcontracting needs and requirements. This includes expanding the list of Prime Partners that utilize subcontracting scorecards to measure Supplier Diversity results, encouraging Prime Partners to sponsor diverse business enterprises for scholarship opportunities, and host their own diversity summits to increase engagement.

## VIII. Challenges and Opportunities

Given the unique skillset required to provide services within the gas utility industry, it is not uncommon for businesses to experience challenges in establishing and maintaining viable operations with the utility being the sole focus of their business. This is even more pronounced when considering the limited number of minority-, women- and veteran-owned businesses competing for certain opportunities within the utility industry.

Below are some of the most common contributors that pose challenges in finding diverse vendors:

- Limited number of diverse construction firms with natural gas transmission pipeline experience
- Limitations on smaller diverse firms to grow beyond current capacity
- Little to no experience with natural gas utilities
- Limited access to capital required to grow to scale
- Reluctance to undergo the lengthy process of becoming a certified diverse business enterprise

Nicor Gas continues to work with diverse firms to overcome these challenges by offering mentoring and training on the natural gas industry; sponsorships for scholarship opportunities; connecting diverse suppliers with advocacy organizations, such as National Minority Supplier Development Council and Women's Business Enterprise National Council; and exploring new procurement contracts, such as sole-sourcing and partnerships to create opportunities for diverse businesses.



## **IX. Certifications Accepted**

### Recognized Certifications:

- National Minority Supplier Development Council and its regional affiliates
- Women's Business Enterprise National Council and its regional affiliates
- National Women Business Owners Corporation (NWBOC)
- U.S. Department of Veterans Affairs
- U.S. Small Business Administration's 8(a) Program
- U.S. Pan Asian-American Chamber of Commerce
- State and County Department of Transportation
- City certifications
- County certifications
- State certifications
- Other third-party certifications

## **X. Point of Contact**

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For information on how to register as an MWVSBE with Nicor Gas (Southern Company Gas), please visit the Supplier Information page under the “About Us” tab of the Southern Company Gas’ website: [aglresources.com](http://aglresources.com).

## XI. Business Partner Success Stories

### Trinidad Construction (Minority-Owned Business Enterprise)

Trinidad Construction was first approached by Nicor Gas' Supplier Diversity team, who contacted the construction firm seeking diverse suppliers for a potential bid opportunity in 2011. Over the next six years, the relationship has grown to from \$96,000 in small industrial work at gas storage fields in downstate Illinois to the completion of Nicor Gas' new training center in Naperville.

"Our company is still very young," said Brian Ortiz, president of Trinidad Construction. "Our relationship started in 2011 when Nicor Gas took a chance on us when we had very little story to tell. We started with small industrial projects, but the work has grown."

Over the years, Trinidad Construction started to perform office remodeling projects for Nicor Gas, with sales totaling more than \$3.3 million in 2015. The next year, the minority-owned small business won its first new construction project with Nicor Gas to build its new 21,000-square-foot training center, a \$12 million project.

"We've been given a lot of firsts through Nicor, but by doing a good job we've continued to earn that next opportunity," Ortiz said. "The partnership with Nicor has been a valuable piece of our corporate resume that has allowed us to expand the work we do with other utility companies and large corporations in the state and throughout the Midwest."



Nicor Gas' new 21,000-square-foot training center, built by Trinidad Construction.

### **Hacha Products Corp. (Minority- and Women-Owned Business Enterprise)**

Hacha Products Corp. attended a Supplier Diversity event in 2016. After meeting with Nicor Gas' environmental group, the eco-friendly industrial products distributor developed a customized plan to remediate groundwater on-site at Nicor Gas' storage facilities.

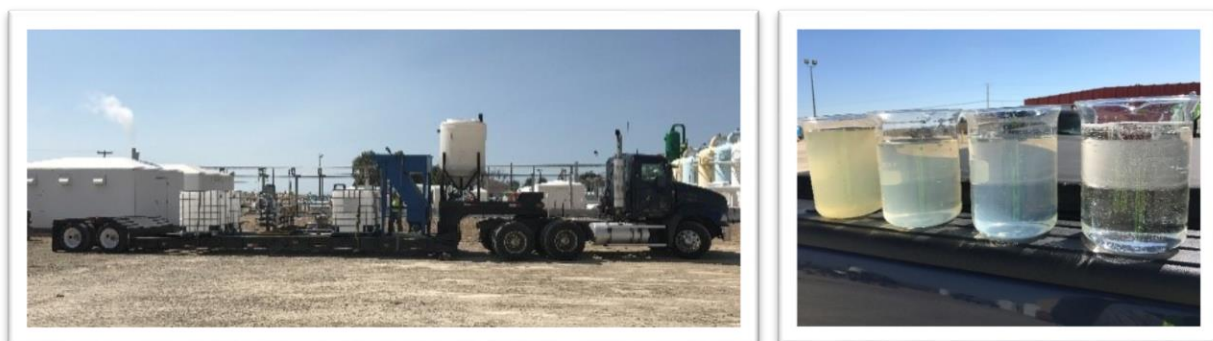
Previously, groundwater removed during the natural gas withdrawal from the aquifers was being shipped to a separate treatment location. But Hacha listened to the problem, saw an opportunity and created a solution, remediating 25,000 gallons of water on-site in 2017 in a pilot project. Now in 2018, Hacha is making a proposal to increase the on-site water remediation at all of Nicor Gas' storage facilities.

After further discussions with Nicor Gas' environmental group, minority- and women-owned business enterprise Hacha developed another creative solution for pipeline construction crews, who were experiencing problems with overheating equipment during small-bore directional drilling.

Dubbed Hacha Verde MUD SNOT®, Hacha developed a dry polymer that mixes with water to create a "green" lubricant for drills that reduces rotational torque, which in turn reduces wear and tear on equipment, shortens maintenance downtime and lowers repair and replacement costs. And because it has been tested as a drinking water safe additive there is no environmental impact. Nicor Gas' Prime Partner, NPL, tested the drilling fluid additive with great success and the product is now widely used by Nicor Gas' crews.

"When there is a problem, the Supplier Diversity team takes an active role in making sure the right questions are asked and the right connections are made to move forward, if possible, and where it makes sense," said Kimberly Meek, Hacha Products Corp.'s founder and owner. "That's a big difference between Nicor Gas and other companies with Supplier Diversity goals.

"Without the significant efforts of the Supplier Diversity team, those conversations would have gotten lost in the shuffle because we're a small company," she said. "These are significant opportunities for us, for our business and for our employees."



Hacha Products Corp.'s water remediation trailer on-site at a Nicor Gas storage facility; and progressive samples of groundwater during the remediation process.

## **XII. Illinois Commerce Commission Website**

Section 5-117 of the Public Utilities Act 220 ILCS 5/5-117, effective Aug. 26, 2014, requires regulated gas, electric and water utilities that have 100,000 customers or more to submit annual reports “on all procurement goals and actual spending for minority-owned, women-owned, veteran-owned, and small business enterprises in the previous calendar year,” and the utilities’ plan for implementing and realizing their goals for the following year.

Section 5-117(f) requires that the ICC publish on its website:

- 1) A list of the points of contact for the utilities;
- 2) The annual reports for a period of 5 years; and
- 3) A list of the certifications recognized and accepted by the utilities.

Section 5-117 reports are due annually April 15, beginning in 2016.

Section 5-117 also requires the ICC and participating utilities to hold an Annual Policy Meeting that is open to the public on the subject of Supplier Diversity. The policy meeting will follow submission of the April 15 reports.

For more information about Nicor Gas’ Annual Supplier Diversity Reports, please visit the ICC Supplier Diversity webpage at <http://www.icc.illinois.gov/filings/mwvs>.

## XIII. Appendices

### Appendix A

Total Expenditures				
	Direct Spend	Tier 2	Total \$	Total %
Minority Business Enterprise (MBE)	\$ 47,803	\$ 40,612	\$ 88,415	13.48%
Women Business Enterprise (WBE)	\$ 44,478	\$ 38,159	\$ 82,637	12.60%
Subtotal: MBE + WBE	\$ 92,281	\$ 78,771	\$ 171,052	26.08%
Veteran Business Enterprise (VBE)	\$ 4,900	\$ 4,242	\$ 9,142	1.39%
Total: MBE, WBE, VBE	\$ 97,181	\$ 83,013	\$ 180,194	27.47%
Small Business Enterprise (SBE)	\$ 32,755	\$ 2,552	\$ 35,307	5.38%
<b>Gross Procurement</b>	<b>\$ 129,936</b>	<b>\$ 85,565</b>	<b>\$ 215,501</b>	<b>32.85%</b>

Expenditures by Product / Service Category						
	MBE	WBE	VBE	Total Diverse Spend	Non-Diverse Spend	Total Spend
Facilities	\$ 7,399	\$ 5,536	\$ 10	\$ 12,945	\$ 8,465	\$ 22,307
Fleet	\$ 18,798	\$ 2,856	\$ 3,772	\$ 25,427	\$ 14,316	\$ 42,275
Materials	\$ 1,619	\$ 3,017	\$ 387	\$ 5,024	\$ 50,303	\$ 60,809
Other	\$ 565	\$ 557	\$ 74	\$ 1,196	\$ 41,606	\$ 44,980
Pipeline & Construction Services	\$ 37,163	\$ 44,872	\$ 4,668	\$ 86,704	\$ 205,271	\$ 306,512
Professional Services	\$ 22,869	\$ 25,798	\$ 231	\$ 48,899	\$ 120,641	\$ 179,221
<b>Grand Total</b>	<b>\$ 88,415</b>	<b>\$ 82,637</b>	<b>\$ 9,142</b>	<b>\$ 180,194</b>	<b>\$ 440,602</b>	<b>\$ 656,104</b>
<b>Grand Total %</b>	<b>13.48%</b>	<b>12.60%</b>	<b>1.39%</b>	<b>27.47%</b>	<b>67.15%</b>	<b>100.00%</b>



## Appendix B

Expenditures by Race – Male				
	Direct Spend	Tier 2	Total \$	Total %
Asian Pacific American	\$ 3,012	\$ 1,922	\$ 4,934	0.75%
African American	\$ 11,922	\$ 13,273	\$ 25,196	3.84%
Caucasian American	\$ 4,900	\$ 4,197	\$ 9,097	1.39%
Hispanic American	\$ 23,648	\$ 8,770	\$ 32,418	4.94%
Native American	\$ 3,894	\$ 2,049	\$ 5,943	0.91%
<b>Total Minority Men</b>	<b>\$ 47,376</b>	<b>\$ 30,211</b>	<b>\$ 77,587</b>	<b>11.83%</b>

Male Spend by MWVBE and Product / Service Category (\$ in thousands)			
	MBE	VBE	Total
Facilities	\$ 7,244	\$ 10	\$ 7,254
Fleet	\$ 18,771	\$ 3,772	\$ 22,543
Materials	\$ 1,619	\$ 387	\$ 2,007
Other	\$ 248	\$ 74	\$ 322
Pipeline & Construction Services	\$ 32,732	\$ 4,668	\$ 37,400
Professional Services	\$ 7,831	\$ 231	\$ 8,062
<b>Grand Total</b>	<b>\$ 68,445</b>	<b>\$ 9,142</b>	<b>\$ 77,587</b>

Male Spend by Race and Product / Service Category (\$ in thousands)						
	African American	Asian/Pacific American	Caucasian American	Hispanic American	Native American	Total
Facilities	\$ 375	\$ 0	\$ 10	\$ 6,869	\$ 0	\$ 7,254
Fleet	\$ 15,232	\$ 3,132	\$ 3,772	\$ 408	\$ 0	\$ 22,543
Materials	\$ 57	\$ 29	\$ 387	\$ 0	\$ 1,534	\$ 2,007
Other	\$ 248	\$ 0	\$ 74	\$ 0	\$ 0	\$ 322
Pipeline & Construction Services	\$ 5,366	\$ 571	\$ 4,623	\$ 23,801	\$ 3,039	\$ 37,400
Professional Services	\$ 3,919	\$ 1,202	\$ 231	\$ 1,340	\$ 1,370	\$ 8,062
<b>Grand Total</b>	<b>\$ 25,196</b>	<b>\$ 4,934</b>	<b>\$ 9,097</b>	<b>\$ 32,418</b>	<b>\$ 5,943</b>	<b>\$ 77,587</b>

Expenditures by Race – Female				
	Direct Spend	Tier 2	Total \$	Total %
Asian Pacific American	\$ 426	\$ 291	\$ 718	0.11%
African American	\$ 4,368	\$ 251	\$ 4,620	0.70%
Caucasian American	\$ 44,478	\$ 50,623	\$ 95,101	14.49%
Hispanic American	\$ 532	\$ 896	\$ 1,428	0.22%
Native American		\$ 741	\$ 741	0.11%
<b>Total Minority Women</b>	<b>\$ 49,805</b>	<b>\$ 52,803</b>	<b>\$ 102,607</b>	<b>15.64%</b>

Female Spend by MWVBE and Service Category (\$ in thousands)				
	MBE	WBE	VBE	Total
Facilities	\$ 155	\$ 5,536	\$ 0	\$ 5,691
Fleet	\$ 28	\$ 2,856	\$ 0	\$ 2,884
Materials	\$ 0	\$ 3,017	\$ 0	\$ 3,017
Other	\$ 318	\$ 557	\$ 0	\$ 874
Pipeline & Construction Services	\$ 4,431	\$ 44,872	\$ 0	\$ 49,304
Professional Services	\$ 15,039	\$ 25,798	\$ 0	\$ 40,837
<b>Grand Total</b>	<b>\$ 19,970</b>	<b>\$ 82,637</b>	<b>\$ 5,926</b>	<b>\$ 102,607</b>

Female Spend by Race and Product / Service Category (\$ in thousands)						
	African American	Asian/Pacific American	Caucasian American	Hispanic American	Native American	Total
Facilities	\$ 1	\$ 0	\$ 5,691	\$ 0	\$ 0	\$ 5,691
Fleet	\$ 0	\$ 0	\$ 2,856	\$ 28	\$ 0	\$ 2,884
Materials	\$ 0	\$ 0	\$ 2,276	\$ 0	\$ 741	\$ 3,017
Other	\$ 45	\$ 0	\$ 759	\$ 71	\$ 0	\$ 874
Pipeline & Construction Services	\$ 4,298	\$ 267	\$ 43,803	\$ 936	\$ 0	\$ 49,304
Professional Services	\$ 276	\$ 451	\$ 39,716	\$ 394	\$ 0	\$ 40,837
<b>Grand Total</b>	<b>\$ 4,620</b>	<b>\$ 718</b>	<b>\$ 95,101</b>	<b>\$ 1,428</b>	<b>\$ 741</b>	<b>\$ 102,607</b>

## Appendix C

Small Business Enterprise Expenditures					
				% of Overall	
Total Dollars (\$in thousands)				Actual	Goal
Overall Spend		\$656,104		5.38%	5.00%
Spend Category	Direct Spend	Tier 2 Spend	Total	Actual	Goal
SBE	\$ 32,755	\$ 2,552	\$ 35,307	5.38%	5.00%
Total SBE	\$ 32,755	\$ 2,552	\$ 35,307	5.38%	5.00%

Illinois-based Small Business Enterprise Suppliers					
				% of Overall	
Total Dollars (\$in thousands)				Actual	Goal
Overall Spend		\$234,744		5.63%	N/A
Spend Category	Direct Spend	Tier 2 Spend	Total	Actual	Goal
SBE	\$ 12,597	\$ 629	\$ 13,226	5.63%	N/A
Total SBE	\$ 12,597	\$ 629	\$ 13,226	5.63%	N/A

Small Business Enterprise (SBE) Spend by Product / Service Category (\$ in thousands)			
	Male	Female	Total
Facilities	\$ 896	\$ 0	\$ 896
Fleet	\$ 2,532	\$ 0	\$ 2,532
Materials	\$ 5,482	\$ 0	\$ 5,482
Other	\$ 2,179	\$ 0	\$ 2,179
Pipeline & Construction Services	\$ 14,211	\$ 326	\$ 14,537
Professional Services	\$ 9,685	\$ 0	\$ 9,681
Grand Total	\$ 34,985	\$ 326	\$ 35,307

SBE Expenditures by Male / Female Race and Service / Product Category (\$ in thousands)						
	Caucasian American		Hispanic American		Asian/Pacific American	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
Facilities	\$ 896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fleet	\$ 2,532	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Materials	\$ 5,482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 2,179	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Pipeline & Construction Services	\$ 13,902	\$ 59	\$ 309	\$ 0	\$ 0	\$ 267
Professional Services	\$ 9,678	\$ 0	\$ 4	\$ 0	\$ 0	\$ 0
<b>Grand Total</b>	<b>\$ 34,668</b>	<b>\$ 59</b>	<b>\$ 313</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 267</b>

SBE Professional Services Spend by Race and Service Category (\$ in thousands)			
	Caucasian American	Hispanic American	Total
Communications and Marketing	\$ 664	\$ 0	\$ 664
Engineering and Technical Services	\$ 1,966	\$ 0	\$ 1,966
Human Resource Services	\$ 937	\$ 4	\$ 941
Information Technology Services	\$ 2,161	\$ 0	\$ 2,161
Legal Services	\$ 3,387	\$ 0	\$ 3,387
Management Consulting	\$ 563	\$ 0	\$ 563
<b>Grand Total</b>	<b>\$ 9,678</b>	<b>\$ 4</b>	<b>\$ 9,681</b>